

Bolsover District Council

Meeting of the Executive on Monday 5th December 2022

MEDIUM TERM FINANCIAL PLAN – REVISED BUDGETS 2022/23

Report of the Portfolio Holder for Finance

Classification	This report is public
Report By	Assistant Director of Finance and Resources
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PURPOSE/SUMMARY OF REPORT

To seek Executive approval of the 2022/23 revised budget for the General Fund, Housing Revenue Account and Capital Programme.

REPORT DETAILS

1 General Fund Revenue Account

- 1.1 The revised budget process is now complete and the proposed 2022/23 revised budget for the General Fund is attached at **Appendix 1**. The appendix shows the original budget for 2022/23 which was approved by Council in February 2022, the current budget which reflects budget transfers and approved changes during the financial year, and the proposed revised budget for 2022/23.
- 1.2 The revised budget on **Appendix 1** shows that Net Cost of Services has increased to £18.371m which is £1.204m above the original budget figures. This movement in the Net Cost of Services reflects committee approvals during the year to fund new expenditure, predominantly funded from either earmarked reserves, new grant allocations or new income received, since the original budget was set.
- 1.3 In addition this year, the Net Cost of Services has increased due to the effect of inflation largely on pay awards, utility bills and fuel costs. It has also been revised for increases in income where appropriate such as investment income. This is detailed further on in the report.
- 1.4 The original budget showed a funding deficit of £0.082m. The current budget position before changes from the revised budget process were included was a surplus of £0.132m. This included the council tax increase of £0.112m and the quarter 1 vacancy savings of £0.131m.

- 1.5 **Table 1** below shows the revised budget position for 2022/23. During the revised budget process, finance have worked with budget managers to review all income and expenditure. Additional budget savings were captured as well as unavoidable budget pressures. Government funding assumptions were updated where necessary and corporate costs such as debt charges and investment interest were also revised.

Table 1

	2022/23 Original Budget £000	2022/23 Current Budget £000	2022/23 Revised Budget £000
Budget Shortfall - MTFP Feb 2022	82	82	82
Efficiencies identified to date (removed from budget)	0	(214)	(214)
Net increase in expenditure/reduction in income (included in budget)	0	0	214
Current Budget Shortfall	82	(132)	82
Efficiencies Identified <u>not yet realised</u>	(112)	0	0
Pension costs to be funded by GF balance	(82)	(82)	(82)
Closing Budget Surplus	(112)	(214)	0

- 1.6 The revised budget funding gap is £0.082m which is the planned use of the general fund balance for 2022/23 as agreed in 2020/21. This was the £0.261m surplus which we added to the general fund balance in 2020/21 to fund the increased pension costs for each of the next 3 years.
- 1.7 The main variances between the current and revised budget positions (£0.132m surplus and £0.082m deficit) are given in **Table 2** below:

Table 2

	£000
Salary pay award	583
Planning fees – increase in income	(41)
Q2 Salaries variances and National Insurance reversal	(232)
Debt Charges/Investment Interest	(761)

<i>Table 2 continued</i>	£000
Net t/f to reserves including the NNDR Growth Protection Reserve	1,557
NNDR growth income from 2021/22 + 2022/23 ndr1	(959)
Strategic Alliance joint working cessation costs	175
Recycling contract costs	(156)
Utilities and Diesel	329
Support Services	(417)
Non-staff miscellaneous variances	136
Net increase in expenditure/reduction in income	214

1.8 An explanation of each of the variances in **table 2** is as follows:

- We have now had confirmation of the Local Government Services pay agreement for 2022-23. We estimated this increase as 2.25% or roughly £0.261m. The actual cost of £1,925 on each spinal column point was an increase of almost £0.600m more than we budgeted for. The reversal of the National Insurance increase and the change to the National Insurance thresholds has meant the increase in the salary cost budgets is a net one of £0.583m.
- The number of planning applications received so far this year means we've been able to increase the income budget by £0.041m.
- In the first 6 months of the year, £0.363m has been saved through vacancy management, maternity leave, changes due to restructuring and changes to National Insurance. Each vacancy is considered to ensure there is still a business need for it before recruiting. The requirements of the service are also considered to ensure no negative impact is caused by delaying or changing the staffing provision.
- Debt charges and investment interest budgets have been updated to reflect the 31st March position and this has resulted in combined reductions in cost of £0.761m. This is mainly due to the increases in bank base rate we've seen this year since we set the original budget.
- Net savings resulting from the revised budget process mean £1.552m more than estimated can be transferred to the NNDR Growth Protection Reserve. This reserve will be used to help mitigate against future changes to Government funding by allowing the flow of income back to general fund in a controlled and manageable manner. Net transfers to other reserves have increased by £0.005m.
- Our share of the business rates pool - redistributed growth, for 2021/22 was not known in time to be included in last year. Additionally, as is usual, the extra income calculated in the ndr1 return for the current year was not

included in the original budget. This is completed in January each year after the MTFP process is complete. Therefore, we are able to increase the budget for NNDR income by £0.959m for 2022/23.

- This year we have ceased joint working through the Strategic Alliance in a number of areas. As part of this we have stopped receiving income and there will be a compensating reduction in salary costs in some areas. It would be very time consuming to split out the salary costs so they remain included within the vacancy figures above. The £0.175m is a combination of income no longer being received and the cost of providing a Bolsover only service.
- The budget for the recycling service has been reduced due to us receiving better than estimated prices for the sale of the recycled materials amounting to £0.156m.
- Inflation on gas, electric and diesel together have meant we need to increase the budgets by a total of £0.329m this year. Prices were fixed at a lower rate from April to September so this is really only a half year effect in 2022/23 for the utilities.
- The significant increase in the cost of general fund staff and utility costs has prompted us to recalculate the recharge of services to the HRA. We don't usually do this once the years' budget is set. The increased cost to HRA and therefore income to general fund is £0.417m.
- The net movement in miscellaneous income and expenditure is a cost to general fund of £0.136m. This is made up of a number of small increases and decreases.

1.9 The final position on the general fund revenue account will clearly be dependent on the actual financial performance out-turning in line with the revised budgets as there may be further costs and/or savings identified as the year progresses. **Appendix 2** details the net cost of each cost centre by Directorate.

Housing Revenue Account (HRA)

1.10 The Housing Revenue Account revised budget for 2022/23 is set out in **Appendix 3** to this report.

Expenditure

1.11 Expenditure on the HRA is showing a net increase against current budgets of £0.409m.

1.12 As discussed in 1.8, the Local Government Services pay agreement for 2022-23 has been settled and increased the salary cost budgets on the HRA by £0.294m.

1.13 Vacancy savings of £0.358m have been removed from the budget for the first 6 months of the year. Six vacant posts have now been filled and new staff are due to start in November.

- 1.14 The approval during the year of new expenditure to be funded by earmarked HRA reserves relates to £0.223m. The council tax liability on the management of void properties being held for capital schemes £0.150m, is now being funded by the development reserve.
- 1.15 The increase due to inflation on utilities and inflation linked budgets is £0.238m. The budget for subcontractors has been reduced by £0.206m as the painting contract is not now required in 2022/23.
- 1.16 The cost to the HRA of paying for the general fund services provided as discussed in 1.8, has increased by £0.417m since the original budget was produced.

Income

- 1.17 In total, income is £0.084m higher than the current budget.
- 1.18 Dwelling rents have been reduced by £0.247m since the original budget. The number of empty properties (voids) is higher than originally estimated. Members will be aware, this year voids have been between 3.86% in quarter 1 and 3.52% by quarter 2 which is higher than the original estimate of 3%.
- 1.19 The revised budget has been set with an estimate for voids of 3.47% for the remainder of 2022/23. This is to allow officers to embed new operating methods now bought in, on managing properties being held intentionally empty for capital schemes, to reduce the number of voids at any one time.
- 1.20 Income from Non-dwelling rents is also reduced, again in preparation for capital schemes to take place.
- 1.21 Income from both Housing Related Support schemes has increased by £0.364m since the current budget. This is due to Derbyshire County Council extending the Independent Living Service contracts until March 2023.
- 1.22 The movement in the debt charges and investment interest budgets has meant a net increase in cost to the HRA of £0.430m. This is due to the increase in bank base rate and is a cost to the HRA because it has more debt than investments which is currently the opposite of the general fund position.
- 1.23 In light of the proposed changes detailed above, it has been necessary to reduce the planned contributions to the HRA reserves by £0.532m, to ensure the HRA is still in balance. It is hoped that this is a one year only course of action but this will be revisited for future years as part of the MTFP currently being prepared.

Capital Programme

- 1.24 The Council's capital programme is shown in **Appendix 4**. It has been updated from the original budgets to reflect approvals within the year and the profiling of the individual schemes following approved changes by Members and from detailed discussions with budget officers.

- 1.25 As part of the revised budget process, officers have estimated the likely level of spend in the current financial year. As a result £1.608m has been removed from the current budget and put in 2023/24 as this is when the work is likely to be undertaken. The proposed estimated outturn for 2022/23 is therefore a budget of £25.580m.
- 1.26 The changes that are shown in the revised capital programme mean that the financing is adjusted accordingly to meet the anticipated spend. There are no issues to report with regard to the financing of the 2022/23 capital programme.

2 Reasons for Recommendation

- 2.1 The purpose of this report is to set revised budgets as early as possible within the financial year to ensure that identified budget savings are realised, that all budget managers are working to the revised budgets and to allow any planned changes to be delivered.

3 Alternative Options and Reasons for Rejection

3.1 General Fund and HRA

Any surplus on the Council's two main revenue accounts will result in an increase in financial balances at the year-end which are available to protect services at a time of declining central government support. It is proposed that additional resources would be transferred to reserves in preparation for future expenditure.

3.2 Capital

There are no alternative options being considered with regard to the proposed allocations from the Capital Programme budget as it ensures the Council's assets meet health and safety requirements in that they are maintained in a fit for purpose state that ensures they remain fully operational.

RECOMMENDATION(S)

- 1 That Executive approves the revised General Fund budget for 2022/23 as set out in **Appendix 1** and detailed in **Appendix 2**.
- 2 That Executive approves the revised HRA budget for 2022/23 as set out in **Appendix 3**.
- 3 That Executive approves the revised Capital Programme for 2022/23 as set out within **Appendix 4**.

Approved by the Portfolio Holder - Cllr Clive Moesby, Executive Member for Finance

IMPLICATIONS:

Finance and Risk: Yes No

Details:

The issue of Financial Risk is covered throughout the report. In addition, however, it should be noted that the risk of not achieving a balanced budget is outlined as a key

risk within the Council's Strategic Risk Register. While officers are of the view that these risks are being appropriately managed it needs to be recognised that continued reductions in budgets may mean that adverse variances arising from particular issues or pressures outside of our control, may not be able to be absorbed from favourable variances in other budgets.

Similarly the income on the HRA needs to be carefully managed to ensure the HRA continues to be sustainable over the life of the 30 year business plan, particularly in light of the expenditure increases we've seen during the last 12 months.

On behalf of the Section 151 Officer

Legal (including Data Protection): Yes No

Details:

There are no legal or data protection issues arising directly from this report.

On behalf of the Solicitor to the Council

Staffing: Yes No

Details:

There are no human resource issues arising directly out of this report.

On behalf of the Head of Paid Service

DECISION INFORMATION

<p>Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:</p> <p>Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	No
<p>Is the decision subject to Call-In? <i>(Only Key Decisions are subject to Call-In)</i></p>	No

<p>District Wards Significantly Affected</p>	None
<p>Consultation: Leader / Deputy Leader <input type="checkbox"/> Executive <input type="checkbox"/> SLT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/></p>	<p>Details: Portfolio Holder for Finance</p>

Links to Council Ambition: Customers, Economy and Environment.

DOCUMENT INFORMATION

Appendix No	Title
1	General Fund Summary
2	General Fund Detail
3	HRA Summary
4	Capital Programme
5	Treasury Management Update

Background Papers

<i>(These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Executive you must provide copies of the background papers).</i>
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None
